

Clauses 2 to 11 both inclusive were added to the Bill.

12-36 P. M.

CLAUSE 1 Etc.,

MADAM DEPUTY SPEAKER.—The question is :

‘That Clause 1, the long Title the Preamble and the Enacting Formule do stand part of the Bill.’

The Motion was adopted.

Clause 1, the long Title the Preamble and the Enacting Formula were added to the Bill.

Motion to pass

SRI S. M. YAHYA.—Madam, I beg to move:

‘That the Karnataka Sales Tax (Amendment) Bill, 1978, be passed.’

MADAM DEPUTY SPEAKER.—The question is :

‘That the Karnataka Sales Tax (Amendment) Bill, 1978 be passed.

The motion was adopted and the Bill was passed.

MADAM DEPUTY SPEAKER.—Now, the Hon. Minister for Labour and Excise will make his statement.

Statement. by Minister for Labour and Excise :

re : Information sought by Sri S. R. Bommai and H. D. Devegowda.

SRI R.S. PATIL (Minister for Labour and Excise) Madam.—

During the discussions which took place before the demands pertaining to the Excise Department were put to vote, Hon'ble Members Sri S. R. Bommai, M L A and Sri H. D. Deve Gowda, M L A desired the reaction of Government to certain information which they placed before the House and suggested that before this current session concluded a statement be issued clarifying the stand of Government.

Inspection of the Gemini Distilleries by the Deputy Commissioner of Commercial Taxes (Intelligence) Southern Zone, Bangalore.

On 27th August 1976 the Deputy Commissioner of Commercial Taxes (Intelligence) Southern Zone, Bangalore decided to take up an inspection of the Gemini Distilleries, Tumkur Road, Bangalore,

According to Rule 22 of the Karnataka Excise (Distillery and Warehouse) Rules, all persons entering the distillery shall be under the orders of the Distillery Officer in respect of their conduct and proceedings within the Distillery and shall be liable to search on their exit at the discretion of the Distillery Officer.

In the instant case the Distillery Officer informend the Inspecting Officer of the Commercial Taxes Department that an inspection of the records of the distillery could be done with the permission of the Excise Commissioner with prior appointment of time. The Deputy Commissioner of Commercial Taxes (Intelligence) Southern Zone obtained the necessary authority from the Excise Commissioner. At that stage, the Distillery Officer advised the Deputy Commissioner (Intelligence) that the list of the Officers who would assist the Deputy Commissioner (Intelligence) Southern Zone also required approval of the Excise Commissioner. The Deputy Commissioner (Intelligence) Southern Zone Commercial Taxes Department has taken the view that the intention of a surprise inspection would be lost if prior permission is to be taken by the Commercial Taxes Department to organise an inspection of a distillery which also happens to be a registered dealer under the Karnataka Sales Tax Act. Government feel that in such cases the remedy would lie in streamlining the procedures and action is being taken accordingly. Facilities have since been given to the Officers of the Commercial Taxes Department to inspect the records of any distillery by following a systematic procedure. In the instant case, the Officer conducting the inspection possibly felt that the actual inspection of the Distillery thereafter might not be called for as the element of surprise ceased to exist.

Observations by Sri S. R. Bommai regarding the existance of a Mafia Gang among Excise Contractors and alleged evasion of excise duty on Beer/IML produced in the State.

After the excise auctions on 9th April 1976, the Deputy Commissioner Bangalore District addressed the Excise Commissioner and opined that the reason for the low bids is obviously collusion among the Excise Contractors. Agreeing with the Deputy Commissioner, Bangalore District, Government ordered reauctions and the bids secured at the reauctions for Bangalore District were confirmed. Government have examined the well meaning suggestions of the Deputy Commissioner, Bangalore District. In the auctions which were subsequently conducted between April 1978 and June 1978 there was no evidence of any collusion among the Excise Contractor or groups of contractors. As a matter of fact, the annual excise rentals for Toddy and Arrack in Bangalore District increased from Rs. 5,77,28,400 per

annum to Rs. 7,10,14 800 per annum securing increase of Rs. 1,32,86,400. In the State as a whole the aggregate increase in rentals for 1978-79 over the previous year's rentals of Rs. 33,77,69,100 is Rs. 5 88,88 380. Further in 1978-79, although there was only one case in which the postponement of the auctions at Bijapur was secured by an Excise Contractor through Writ Petition No. 5899/78, When the case was heard shortly thereafter, the claims of the Writ Petitioner as well as his allegations were negatived by the Hon'ble High Court and the Writ Petition dismissed. In these circumstances, Government are not aware of the existence or the influence of any Gang of Excise Contractors operating in the State.

It has been alleged that there is substantial evasion of excise duty on Beer/IML produced in the Distilleries/Breweries within the State. The Appendix to this statement furnishes details of the production in respect of Beer within the State, the quantities issued and the duties recovered respectively from the four Breweries in the State for the three year period from 1975-76 to 1977-78. The figures furnished disclose that not only has production been on the increase but also issues within the State and exports outside the State have been increasing. Concurrently, the duties recovered within the State have shown trends towards increase. As regards exports outside the State since the exported goods will be liable to excise duty in the State where such Beer is consumed, it is not practicable to levy excise duty on such Beer in addition to export duty. The levy of low export duties on all exports outside any State is a practice common to all States engaged in such production. If, however, there are any specific allegations that any goods marked for export being otherwise sold within the State, Government will not hesitate to take stern action against the holders of such export permits which are mis-used. The position with regard to IML is similar to that of Beer.

Arrack supplied from the Distilleries as well as from the Feeding Centres is required to have a strength of 65° proof. There are periodical checks undertaken by the Officers attached to the Distilleries to ensure that Arrack conveyed to the Arrack Bonded Depots does conform to the specification prescribed.

Allegation of Sri H. D. Devegowda regarding agreement with a private distillery regarding the payment of Service charge of 24 paise per litre for conversion of Spirit into arrack though the Mandya Sugar Factory was prepared to undertake it only for 15 paise per litre.

Prior to 1975 manufacture and maturation of arrack took place only at the distilleries at Mandya, Hospet and Ugarkhurd. The arrack transported from these distilleries to each district all over the state

on the basis of competitive tenders for the transportation of arrack to all the taluks in each district. To cut down the transportation costs and the concurrent transit wastages in arrack, Government limited the number of districts from which arrack was to be supplied directly from the distilleries to 10 districts. For the remaining 9 districts, arrangements were made to transport Rectified Spirit 4 warehouses and convert the spirit into matured arrack at warehouses. 9 supporting Feeding Centres were also established in the respective districts to facilitate supply of arrack in these 9 districts with minimised transport wastages. The entrustment of these arrangements to the Gemini Distilleries was expected to generate savings in manufacture and transportation costs of 9.4 paise (94/10 paise) per litre of arrack supplied. The Gemini Distilleries who undertook these arrangements, agreed to establish the infrastructure for transportation and storage at their own cost while Government scored savings in recurring expenditure anticipated at 9.4 paise per litre of arrack and this was estimated at Rs. 13.16 lakhs per annum. On this basis, G.O. No. HD 61 EDC 75, dated 18th June 1975 was issued and supply of arrack was commenced on the basis of this G.O. thereafter.

In March, 1977, the Mysore Sugar Co., whose coverage for supply of arrack had in the process been reduced from 11 districts to 5 districts, suggested that they could also undertake supply of arrack to Kolar and Bangalore Districts only against the payment of service charge at 15 paise per litre. Coupled with the basic arrack cost of 44 paise per litre ex-distillery this offer implied an effective rate of 59 paise per litre for arrack delivered at Kolar and at Bangalore. As against this offer, the actual expenditure being then incurred by Government for arrack delivered at Bangalore and at Kolar was respectively 44 paise per litre and 52.99 paise per litre respectively. Therefore, the costlier offer of the Mysore Sugar Company was not accepted in 1977. It is not correct to allege that any officer of the Mysore Sugar Company was transferred as a result of this offer to supply arrack having been made.

However, it was observed in Audit that it would have been desirable to obtain competitive offers from more than one distillery before finalising the arrack manufacture and transportation system for the 9 districts mentioned above. Therefore, with a view to initiate arrangements for offers being called from the distilleries capable of supplying arrack and evolving future arrangements on a competitive basis, the 5 years contract ordered to be entered into with Gemini Distilleries during June 1975 was ordered to be terminated during the 3rd year of its currency and fresh offers for supply of arrack in 9 districts have been invited. Government are considering the offers

received for manufacture and maturation of arrack at warehouses as well as for the supply of the matured arrack at the Feeding Centres, with a view to ensure that the offer most advantageous to Government is accepted. 3 distilleries including the Mysore Sugar Company's distillery have given their offers in conformity with the conditions of supply stipulated. These offers are being evaluated and the offers most advantageous to Government consistent with the canons of the financial propriety, will be accepted.

Before I conclude, I wish to observe that after the discussions on the Floor of this House took place, Hon'ble Member Sri H. D. Deve Gowda has raised a number of supplemental matters in a letter addressed to me on 5th August 1978 and has requested that these supplemental matters may also form part of the present statement. The supplemental information which he has desired is being obtained and a reply to the Hon'ble Member to his letter will be separately transmitted.

APPENDIX I
Statement showing the Production/Issues and duty recovered on Beer for the
years 1975-76, 1976-77 and 1977-78.

Sl. No.	Name of the Brewery	Production in Bulk litres	Issues within the State		Exports outside the State		Year
			Bulk litres	Duty recovered	Bulk litres	Duty recovered	
1.	United Breweries: Ltd., Bangalore.	92,09,200 1,05,77,700 1,32,64,382	70,28,072 81,04,749 1,00,84,012	70,28,072 81,04,749 1,00,84,012	8,95,244 9,07,992 12,04,460	53,714 54,480 72,268	1975-76 1976-77 1977-78
2.	Venus Brewery, Bangalore.	1,55,050 56,092 76,373	1,56,052 69,424 48,011	1,56,052 69,424 48,011	1975-76 1976-77 1977-78
3.	Mysore Breweries Ltd., Bangalore.	26,30,799 44,65,896 58,85,412	9,46,725 9,69,920 11,12,035	9,46,725 9,69,920 10,51,635	17,02,452 35,12,367 47,70,930	1,57,329 2,10,740 2,86,255	1975-76 1976-77 1977-78
4.	Khody Brewing and Distilling Industries (P) Ltd., Brewery Dvn., Bangalore.	28,07,450 27,74,050 31,48,329	6,38,185 5,50,360 8,23,629	6,38,185 5,50,360 8,23,629	11,46,686 18,84,598 54,60,000	1,00,072 1,13,075 1,64,823	1975-76 1976-77 1977-78
Total :		5,50,50,733	3,05,31,174	3,04,70,774	2,14,84,729	12,12,756	

Remarks :— Includes under bond issues to C.S.D.(I), Bangalore.

SRI A. LAKSHMISAGAR.—I do not want to seek any clarification on this matter, as I am tabling a motion under Rule 59. May I request the hon. Minister, since the matter is coming up for discussion, the matters raised by Sri Devegowda may also be supplied at the point of time when the motion comes up for discussion?

ಶ್ರೀ ಆರ್. ಎಸ್. ಪಾಟೀಲ್.—ಮಾನ್ಯ ಸದಸ್ಯರಾದ ದೇವೇಗೌಡರು ಪತ್ರ ಬರೆದಿದ್ದಾರೆ, ಅವರಿಗೆ ಉತ್ತರ ಕಳುಹಿಸುವುದೇ ತಮ್ಮ ಪ್ರಶ್ನೆಗೂ ಉತ್ತರ ಆಗಬಹುದು.

SRI P. RAMADEV.—The correspondence between the Deputy Commissioner and other officers as also the audit report may please be placed before this House.

MADAM DEPUTY SPEAKER.—Hon. members want to discuss the matter later when we meet next time.

SRI B. BASAVALINGAPPA.—Now it is 12.45 P.M. Even if the Hon. Member had begun, I think, he would have done a good job.

MADAM DEPUTY SPEAKER.—The House stands adjourned to meet on 21st August 1978 at 1 P.M.

The House adjourned fortyfive Minutes past Twelve of the clock to meet again at One of the Clock on Monday the 21st August 1978.